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FOR IMMEDIATE RELEASE

*** Consumer Advisory ***

Terry Goddard Cautions Arizona Consumers to be Careful When Choosing a Mortgage

(Phoenix, Ariz. – Feb. 9, 2006) Attorney General Terry Goddard today cautioned home buyers to tread carefully when selecting a mortgage. As the housing market cools, many first-time home buyers are taking out riskier loans such as interest-only or flat-minimum-payment mortgages, which could put borrowers at risk when market conditions change.

A 2005 study by the National Association of Realtors showed that 43 percent of first-time home buyers purchased homes with no money down. The study also found that those buyers who did make a down payment averaged two percent down and financed 98 percent of the loan. As the housing market cools, buyers who purchase homes with variable interest rates and no or little money down could end up owing more than their home is worth.

Goddard urges home buyers not to select a mortgage based on a low introductory or “teaser” rate. These rates can go up sharply, and homeowners can quickly find themselves in trouble.

Goddard offers these tips when choosing a mortgage:

- Do not take out a loan unless you can make the monthly payments, including principal, interest, taxes and insurance based on your current income.
- Make sure you know whether the interest rate can increase. Find out how much it can go up and how often, and make sure all information is in writing.
- Watch out for balloon payments. These are large additional amounts that must be paid after you have been making regular monthly payments for a period of time.
- Don't take out a mortgage based on an assumption that you'll be able to refinance later at a better rate. Interest rates may increase, and a better rate may not be available.
- Beware of prepayment penalties. Some mortgages require you to pay a large penalty, such as six months interest, if you refinance within a certain period of time. Make sure you understand the amount of a possible penalty and the prepayment penalty period.

- **Never** take out a mortgage based on an oral promise that a term, such as a prepayment penalty or an interest rate increase, will be waived by the lender. All such promises should be part of the written mortgage loan agreement.

If you believe you have been a victim of fraud, please contact the Attorney General's Office in Phoenix at 602.542.5763; in Tucson at 520.628.6504; or outside the Phoenix or Tucson metro areas at 1.800.352.8431. To file a complaint in person, the Attorney General's Office has 19 satellite offices throughout the state with volunteers available to help. Locations and hours of operation are posted on the Attorney General's Website at www.azag.gov. Consumers are also invited to sign up through the Web site to receive consumer advisories from the Attorney General.

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